

CITY OF EMMETSBURG, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2010

Table of Contents

	<u>Page</u>
City Officials.....	1
Independent Auditor's Report.....	2
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Statement of Revenues, Expenditures, and Changes in Fund	
Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures,	
and Changes in Fund Balances of Governmental Funds to	
the Statement of Activities.....	18
Statement of Net Assets – Proprietary Funds.....	19
Statement of Revenues, Expenses, and Changes in Fund Net	
Assets – Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds.....	21
Notes to Financial Statements.....	22
Required Supplementary Information:	
Budgetary Comparison Schedule – Function Budget.....	45
Notes to Required Supplementary Information.....	46
Other Supplementary Information:	
Combining Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	47
Combining Statement of Revenues, Expenditures, and	
Changes In Fund Balances – Nonmajor Governmental Funds.....	51
Schedule of Revenues by Source and Expenditures by Function-	
All Governmental Funds.....	55
Independent Auditors' Report on Internal control Over Financial	
Reporting and on Compliance and Other Matters Based on an	
Audit of Financial Statements Performed in Accordance with	
Government Auditing Standards.....	56
Schedule of Findings and Questioned Cost.....	58

CITY OF EMMETSBURG, IOWA

CITY OFFICIALS

<u>Official Title</u>	<u>Name</u>	<u>Term Expires</u>
(Before January 2010)		
Mayor	John Schad	January 2, 2012
Mayor Pro Tem	Patrick Degen	January 2, 2012
Council member	Sandy Pelzer	January 2, 2012
Council member	Pam Smith	January 2, 2010
Council member	Corey Gramowski	January 2, 2012
Council member	Brian Campbell	January 2, 2010
Council member	Steve Finer	January 2, 2010
City Clerk	Kimberly Kibbie	
City Attorney	Brian W. Thul	
City Administrator	John Bird	
(After January 2010)		
Mayor	John Schad	January 2, 2012
Mayor Pro Tem	Steve Finer	January 2, 2014
Council member	Sandy Pelzer	January 2, 2012
Council member	Corey Gramowski	January 2, 2012
Council member	Tony Kauten	January 2, 2012
Council member	Brian Campbell	January 2, 2014
Council member	Brian Malm	January 3, 2014
City Clerk	Kimberly Kibbie	
City Attorney	Brian W. Thul	
City Administrator	John Bird	

Burdorf, Parrott And Associates, P.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Honorable
Mayor and
Members of the
City Council City of
Emmetsburg, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Emmetsburg, Iowa. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The City did not implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions as described in Note 4 E. The effect on the financial statements of the preceding practices is not reasonably determinable.

Capital assets policies of the City's governmental funds and the component units (gas, water and sanitation) do not conform to generally accepted accounting principles as described in Note 1 D (4) and Note 3 B to the financial statements. The amount by which this departure would affect the assets, fund balances, and expenditures/expenses of the governmental and component unit's funds (gas, water and sanitation) is not reasonably determinable.

In our opinion, except for the effects, if any, of implementing GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions and not using capital asset policies that fully conform to generally accepted accounting principles for the governmental and component units (gas, water and sanitation), as described in the third and fourth paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely

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presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 17, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Emmetsburg, Iowa. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2009 (which are not presented herein) and expressed qualified opinions, for the effects on the financial statements, if any, of the omissions described in the third and fourth paragraphs of this report, on those financial statements. Other supplementary information including the combining nonmajor fund financial statements, and schedule of revenues by source and expenditures by function - all governmental funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects, if any, of the omissions described in the third and fourth paragraphs, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Burdorf, Parrott And Associates, P.C.

January 17, 2011

Management's Discussion and Analysis

Our discussion and analysis of the City of Emmetsburg, Iowa's financial performance provides an overview of the City's financial activities for the year ended June 30, 2010. Please read this information in conjunction with the City's financial statements, which follow.

Financial Highlights

- Revenues of the City's governmental activities increased \$1,006,561 or 27.09% from fiscal year 2009 to fiscal year 2010. Property taxes increased \$29,471 for all activities.
- Program expenses of the City's governmental activities decreased \$296,786 or 6.19% in fiscal year 2010 from fiscal year 2009. Culture and Recreation and Debt Service increased \$123,587, and \$896,272, respectively. Capital Project expenses decreased by \$1,336,240.
- The City's net assets for the primary government increased \$1,368,886 from June 30, 2009 to June 30, 2010. Of this amount, the net assets of the governmental activities increased \$1,337,551 and the net assets of the business-type activities increased by \$31,335.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City as a whole and present an overall view of the City's finances.
- The Fund Financial Statements tell how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue and Capital Projects Funds and the Internal Service Funds.

Reporting the City's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City of Emmetsburg in a better financial position at the end of the fiscal year, compared to last year?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. A person will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, interest on debt and debt related fees and capital outlay not included in capital assets. Property tax, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities include garbage pickup (solid waste) and the City's Cemetery. These activities are financed primarily by user charges.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like the Lake Project Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the state for housing rehabilitation for low and moderate income families). The City's two kinds of funds are:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliation at the bottom of the fund financial statements.
- Proprietary funds account for the City's Enterprise Funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the change in the net assets for governmental and business-type activities. This does not include the component units of gas, water and sanitation.

	Governmental activities		Business-type activities		Total	
Assets:	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 4,443,696	3,858,328	464,744	421,590	4,908,440	4,279,918
Capital assets	8,223,357	8,053,980	181,862	191,887	8,405,219	8,245,867
Total assets	12,667,053	11,912,308	646,606	613,477	13,313,659	12,525,785
Liabilities:						
Long-term debt	2,811,775	3,356,362	-	-	2,811,775	3,356,362
Other liabilities	1,752,021	1,790,240	30,960	29,166	1,782,981	1,819,406
Total liabilities	4,563,796	5,146,602	30,960	29,166	4,594,756	5,175,768
Net assets:						
Invested in capital assets, net of related debt	5,411,582	4,396,027	181,862	191,887	5,593,444	4,587,914
Restricted	224,254	276,476	-	-	224,254	276,476
Unrestricted	2,467,421	2,093,203	433,784	392,424	2,901,205	2,485,627
Total net assets	\$ 8,103,257	6,765,706	615,646	584,311	8,718,903	7,350,017

Net assets of governmental activities increased from June 30, 2009 by \$1,337,551 or 19.8%. Net assets of business-type activities increased from June 30, 2009 by \$31,335 or 5.4%. The City's net assets are primarily invested in cash and capital assets, less related debt. By definition, restricted net assets represent resources that are subject to external restrictions, bond covenants, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, are \$2,901,205 at the end of the year.

For the year ended June 30, 2010 and 2009, net assets changed as follows:

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues						
Charges for services	\$ 121,498	111,235	426,861	392,697	548,359	503,932
Operating grants and contributions	409,844	364,798	-	-	409,844	364,798
Capital grants and contributions	416,575	366,906	-	-	416,575	366,906
General Revenues						
Property taxes	1,365,880	1,344,165	-	-	1,365,880	1,344,165
Other City taxes	675,850	650,569	-	-	675,850	650,569
Unrestricted - Intergovernmental	-	-	-	-	-	-
Use of money and property	53,398	59,268	3,266	6,412	56,664	65,680
Miscellaneous	1,637,189	806,382	-	-	1,637,189	806,382
Gain on disposal of capital assets	-	12,500	-	32,000	-	44,500
Total revenues	<u>4,680,234</u>	<u>3,715,823</u>	<u>430,127</u>	<u>431,109</u>	<u>5,110,361</u>	<u>4,146,932</u>
Expenses						
Public safety	584,221	543,949	-	-	584,221	543,949
Public works	876,006	822,856	-	-	876,006	822,856
Culture and recreation	620,084	495,825	-	-	620,084	495,825
Community and economic development	419,217	105,856	-	-	419,217	105,856
General government	356,523	360,448	-	-	356,523	360,448
Debt service	189,831	144,288	-	-	189,831	144,288
Capital outlay not included in assets	377,971	378,266	-	-	377,971	378,266
Solid waste	-	-	384,939	347,267	384,939	347,267
Cemetery	-	-	25,653	24,796	25,653	24,796
Total expenses	<u>3,423,853</u>	<u>2,851,488</u>	<u>410,592</u>	<u>372,063</u>	<u>3,834,445</u>	<u>3,223,551</u>
Increase (decrease) in net assets before transfers	1,256,381	864,335	19,535	59,046	1,275,916	923,381
Transfers	81,170	77,819	11,800	12,768	92,970	90,587
Increase (decrease) in net assets	1,337,551	942,154	31,335	71,814	1,368,886	1,013,968
Net assets, beginning	6,765,706	6,013,735	584,311	512,497	7,350,017	6,526,232
Adjustment to beginning balance	-	(190,183)	-	-	-	(190,183)
Net assets, ending	<u>\$ 8,103,257</u>	<u>6,765,706</u>	<u>615,646</u>	<u>584,311</u>	<u>8,718,903</u>	<u>7,350,017</u>

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,663,955. \$5,648 is reserved for Debt Service, \$69,165 is reserved for Perpetual Care of Cemetery and \$343,656 is reserved for Long-term Receivables. This leaves an unreserved balance of \$1,060,280.

This governmental fund balance increased by \$370,773 or 16.17%. The increase was due to revenues in excess of expenditures. The significant increase was in the South Grand Fund due to lawsuit proceeds received during the year.

The General Fund is the chief operating fund of the City of Emmetsburg. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$536,188. As a measure of the General Funds liquidity, it may be useful to compare both unreserved fund balances and total fund balances to total fund expenditures. Unreserved fund balance represents 29% of the total General Fund expenditures.

The following fund balances in the other major funds, which comprise the Total Governmental Funds, are listed below:

	FY10	FY09	Increase
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>
General Fund	\$ 536,188	519,018	17,170
Road Use Tax Fund	154,184	169,791	(15,607)
Local Option Sales Tax Fund	276,352	274,826	1,526
Debt Service	905	14,346	(13,441)
Lake Project Fund	309,170	255,120	54,050
South Grand Fund	340,295	26,465	313,830

The largest increase in fund balance for the major funds occurred in the South Grand Fund. This was due to lawsuit proceeds received during the year.

The Road Use Tax Fund had the largest decrease in fund balance for the major funds. This decrease was due to normal expenditures during 2010.

The following schedule presents a summary of the governmental fund revenues for the fiscal year ended June 30, 2010 and June 30, 2009:

Revenues	FY10 Amount	Percent of Total	FY09 Amount	Increase (Decrease) from FY09	Percent of Increase (Decrease)
Property taxes	\$ 1,300,100	27.53%	\$ 1,270,629	\$ 29,471	2.32%
Tax increment financing	288,139	6.10%	268,524	19,615	7.30%
Other city tax	437,792	9.27%	450,204	(12,412)	-2.76%
Licenses and permits	11,557	0.24%	24,446	(12,889)	-52.72%
Use of money and property	53,398	1.13%	59,268	(5,870)	-9.90%
Intergovernmental	826,418	17.50%	731,704	94,714	12.94%
Charges for services	121,498	2.57%	111,235	10,263	9.23%
Special assessments	20,329	0.43%	18,193	2,136	11.74%
Miscellaneous, including fines	1,663,469	35.22%	781,936	881,533	112.74%
	<u>\$ 4,722,700</u>	<u>100.00%</u>	<u>\$ 3,716,139</u>	<u>\$ 1,006,561</u>	<u>27.09%</u>

The most significant increase in revenues was miscellaneous, including fines. The increase was due to the receipt of lawsuit proceeds.

The following schedule presents a summary of governmental expenditures for the fiscal years ended June 30, 2010 and June 30, 2009.

Expenditures	FY10 Amount	Percent of Total	FY 09 Amount	Increase (Decrease) from FY07	Percent of Increase (Decrease)
Public safety	\$ 574,632	12.78%	\$ 519,473	\$ 55,159	10.62%
Public works	712,573	15.85%	738,259	(25,686)	-3.48%
Culture and recreation	621,101	13.81%	497,514	123,587	24.84%
Community and economic development	103,507	2.30%	104,993	(1,486)	-1.42%
General government	353,860	7.87%	362,252	(8,392)	-2.32%
Debt service	1,409,646	31.35%	513,374	896,272	174.58%
Capital projects	721,372	16.04%	2,057,612	(1,336,240)	-64.94%
	<u>\$ 4,496,691</u>	<u>100.00%</u>	<u>\$ 4,793,477</u>	<u>\$ (296,786)</u>	<u>-6.19%</u>

The most significant increase in expenditures occurred in debt service. The increase was due to paying off debt that came due during the year. Capital projects was the largest decrease in expenditures for FY10. This was due to two projects occurring during FY09 that were completed in FY10. The majority of the project costs were incurred in FY09.

Proprietary Funds

City of Emmetsburg's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Solid Waste and Cemetery funds at the end of the year amounted to \$433,784.

These funds were established for the City operations that are financed and operated in a manner similar to private business enterprises. The cost of providing the services to the general public is recovered, in whole or in part, through user charges.

The City's enterprise operations are comprised of two separate and distinct activities: Solid Waste and the Cemetery Fund. Results of operations for these funds for the year ended June 30, 2010 and June 30, 2009 are as follows:

		Solid Waste		Cemetery	
		2010	2009	2010	2009
Operating Revenues	\$	406,216	371,477	20,645	21,220
Operating Expense		384,939	347,267	25,653	24,796
Non-Operating Revenues		2,563	36,899	703	1,513
Operating Transfers in		-	-	11,800	12,768
Changes in Net Assets		23,840	61,109	7,495	10,705

Budgetary Highlights

Over the course of the year, the City Council revised the budget twice. The budget amendments increased appropriations to cover unplanned expenditures/expenses and transfers. The budget amendments were on March 22, 2010 and April 26, 2010. At the end of the year, the City did not exceed the amended budgeted amounts in any of its functions.

Capital Asset and Debt Administration

Capital Assets

At the end of June 30, 2010 the City had \$8,405,219 net of depreciation invested in capital assets including police and fire equipment, buildings, park facilities, and infrastructure. This does not include the Component Units that had \$11,012,703 invested in capital assets. Infrastructure prior to July 1, 2003 is not included in the financial statements unless it was considered as construction in progress on July 1, 2003.

A schedule of capital assets as of June 30, 2010 and 2009 is as follows.

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Land and improvements	\$ 32,462	27,920	15,557	16,253	48,019	44,173
Machinery, equipment, and vehicles	1,159,901	1,058,842	97,044	125,648	1,256,945	1,184,490
Buildings	742,306	553,387	69,261	20,566	811,567	573,953
Infrastructure	6,030,451	4,567,999	-	-	6,030,451	4,567,999
Construction in process	258,237	1,845,832	-	29,420	258,237	1,875,252
	<u>\$ 8,223,357</u>	<u>8,053,980</u>	<u>181,862</u>	<u>191,887</u>	<u>8,405,219</u>	<u>8,245,867</u>

The major capital assets added during the current fiscal year included the following:

- Municipal golf course and equipment for \$284,206.

More detailed information about the City's capital assets is presented in Note 3 to the financial statements.

Debt

At year-end, the City had \$2,744,050 in outstanding bonds and agreements compared to \$3,658,455 last year. That is an decrease of \$914,405, or 25%.

	Governmental activities	
	2010	2009
General obligation bonds	\$ 2,255,000	3,415,000
Tax increment financing agreement	177,316	230,108
Lease purchase	-	13,347
Risk under loan guarantee	311,734	-
Total	<u>\$ 2,744,050</u>	<u>3,658,455</u>

State statutes limit the amount of general obligation debt a government entity may issue to 5% of its total assessed valuation. As of June 30, 2010, the City's legal additional debt margin was \$6,202,919.

More detailed information about the City's long-term debt is presented in Note 3C to the financial statements.

Economic Factors and Next Year's Budget and Rates

During the state legislative session in 2004, the legislature permanently eliminated certain state funding to local governments starting in the year ended June 30, 2005 and will continue in the future. This along with the continuation of the state rollback on residential properties greatly affects the City's general operating fund.

The City has been helped by the new Hotel/Motel tax and the PA Gaming Corporation allocations made annually to the City that can be used for capital improvements. However, the PA Gaming Corporation allocations cannot be used for ongoing operating expenses or to fund operating deficits.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2011 are provided below:

General levy	\$	8.10
Liability, property & self insurance		0.69
Instrumental/vocal music levy		0.14
Ag land levy		3.00
Emergency levy		0.27
Employee benefit levy		3.89
Debt service levy		0.57
Total	\$	<u>16.66</u>

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator's Office at 2021 Main, Emmetsburg, Iowa. You can also contact the City Administrator's Office for a separately issued report on the component units. That report is for the gas, water and sanitation departments known as "Emmetsburg Municipal Utilities".

John Bird
City Administrator

City of Emmetsburg, Iowa
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 2,266,700	396,063	2,662,763
Investments	2,352	-	2,352
Receivables, net of allowance for uncollectible amounts:			
Property taxes	1,448,385	-	1,448,385
Accrued interest	-	-	-
Special assessments	41,525	-	41,525
Accounts	210,106	-	210,106
Current portion of notes receivable	-	-	-
Current portion of primary government - Urban Renewal Tax Increment Revenue Bond	-	-	-
Other	8,794	45	8,839
Due from primary government	-	-	-
Due from component unit	335,323	52,523	387,846
Due from other governments	120,932	-	120,932
Inventories	9,579	7,326	16,905
Prepays and other assets	-	8,787	8,787
Restricted assets:			
Cash	-	-	-
Notes receivable	-	-	-
Due from primary government - Urban Renewal Tax Increment Revenue Bond	-	-	-
Loan fees (net of \$6,380 amortization)	-	-	-
Capital assets:			
Land, land improvements and construction in progress	290,698	19,791	310,489
Other capital assets, net of accumulated depreciation	7,932,659	162,071	8,094,730
Total assets	12,667,053	646,606	13,313,659
LIABILITIES			
Accounts payable	190,714	23,903	214,617
Accrued liabilities	26,415	4,086	30,501
Interest payable on bonds and other long-term debt	16,580	-	16,580
Due to primary government	-	-	-
Due to component unit	3,396	-	3,396
Customer deposits	-	-	-
Compensated absences	48,340	2,971	51,311
Long-term liabilities:			
Succeeding year unearned revenue	1,466,576	-	1,466,576
Due to component unit-Urban Renewal Tax Increment Revenue Bond	30,357	-	30,357
Portion due or payable within one year:			
Bonds and other payables	362,791	-	362,791
Portion due or payable after one year:			
Bonds and other payables	2,418,627	-	2,418,627
Total liabilities	4,563,796	30,960	4,594,756
NET ASSETS			
Invested in capital assets, net of related debt	5,411,582	181,862	5,593,444
Restricted:			
Streets	154,184	-	154,184
Debt service	905	-	905
Perpetual care	69,165	-	69,165
Unrestricted	2,467,421	433,784	2,901,205
Total net assets	\$ 8,103,257	615,646	8,718,903

See notes to financial statements

Component Units		
Gas Utility	Water Utility	Sanitation Utility
3,726,343	1,166,778	700,375
-	-	-
-	-	-
-	-	-
(9,131)	80,498	68,549
7,237	-	-
1,152	1,344	1,344
4,484	6,078	7,710
2,107	645	645
-	-	-
-	-	-
-	-	-
5,839	14,798	18,656
58,462	12,029	-
17,763	-	-
7,955	9,281	9,281
-	26,000	15,995
1,039	67,067	84,542
688,562	4,659,592	5,511,901
<u>4,511,812</u>	<u>6,044,110</u>	<u>6,418,998</u>
35,804	14,908	91,912
5,190	-	-
10,236	5,805	7,061
43,141	172,512	172,384
58,463	12,028	-
2,247	5,551	2,577
-	-	-
-	-	-
2,511	115,000	84,381
309,223	2,207,000	1,840,230
<u>466,815</u>	<u>2,532,804</u>	<u>2,198,545</u>
377,867	2,404,659	3,671,832
-	-	-
-	-	-
-	-	-
3,667,130	1,106,647	548,621
<u>4,044,997</u>	<u>3,511,306</u>	<u>4,220,453</u>

City of Emmetsburg, Iowa
Statement of Activities
For the Year Ended June 30, 2010

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
Public safety	\$ 584,221	7,445	16,112	-
Public works	876,006	-	357,329	171,613
Culture and recreation	620,084	112,973	36,284	-
Community and economic development	419,217	1,080	119	44,962
General government	356,523	-	-	-
Interest on long-term debt and related fees	189,831	-	-	-
Capital outlay not included in capital assets	377,971	-	-	200,000
Total governmental activities	<u>3,423,853</u>	<u>121,498</u>	<u>409,844</u>	<u>416,575</u>
Business-type activities:				
Solid Waste	384,939	406,216	-	-
Cemetery	25,653	20,645	-	-
Total business-type activities	<u>410,592</u>	<u>426,861</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 3,834,445</u>	<u>548,359</u>	<u>409,844</u>	<u>416,575</u>
Component units				
Gas Utility	\$ 2,144,474	2,246,171	-	-
Water Utility	800,144	607,933	-	-
Sanitation Utility	735,237	647,157	-	-
Total component units	<u>\$ 3,679,855</u>	<u>3,501,261</u>	<u>-</u>	<u>-</u>
General revenues:				
Property taxes and assessments				
Tax increment financing				
Local option sales tax				
Hotel/motel taxes				
Use of money and property				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

Note to statement of activities:

The City is dredging Five Island Lake that belongs to the State of Iowa. The City budgets the expenditure as a capital outlay; however, the City does not include the cost of the dredging in its capital assets because it doesn't own the lake and most of the lake is outside the City limits. Therefore, capital outlay is shown as an expenditure on this statement.

The City owns the assets used for the dredging project and those assets are recorded in capital assets on the Statement of Net Assets.

The City also budgets in capital projects assets for nonprofits that the City does not own.

See notes to financial statements

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Gas Utility	Water Utility	Sanitation Utility
(560,664)	-	(560,664)	-	-	-
(347,064)	-	(347,064)	-	-	-
(470,827)	-	(470,827)	-	-	-
(373,056)	-	(373,056)	-	-	-
(356,523)	-	(356,523)	-	-	-
(189,831)	-	(189,831)	-	-	-
(177,971)	-	(177,971)	-	-	-
(2,475,936)	-	(2,475,936)	-	-	-
-	21,277	21,277	-	-	-
-	(5,008)	(5,008)	-	-	-
-	16,269	16,269	-	-	-
(2,475,936)	16,269	(2,459,667)	-	-	-
-	-	-	101,697	-	-
-	-	-	-	(192,211)	-
-	-	-	-	-	(88,080)
-	-	-	101,697	(192,211)	(88,080)
\$ 1,365,880	-	1,365,880	-	-	-
288,139	-	288,139	-	-	-
287,108	-	287,108	-	-	-
100,603	-	100,603	-	-	-
53,398	3,266	56,664	23,367	9,351	4,399
1,637,189	-	1,637,189	-	-	-
81,170	11,800	92,970	(80,970)	(6,000)	(6,000)
3,813,487	15,066	3,828,553	(57,603)	3,351	(1,601)
1,337,551	31,335	1,368,886	44,094	(188,860)	(89,681)
6,765,706	584,311	7,350,017	4,000,903	3,700,166	4,310,134
\$ 8,103,257	615,646	8,718,903	4,044,997	3,511,306	4,220,453

City of Emmetsburg, Iowa
Balance Sheet
Governmental Funds
June 30, 2010

		Special Revenue		Debt Service
	General Fund	Road Use Tax Fund	Local Option Sales Tax Fund	Debt Service Fund
ASSETS				
Cash	\$ 445,782	188,675	263,456	1
Investments	-	-	-	-
Receivables, net of allowance for uncollectible amounts:				
Property taxes	9,204	-	-	904
Special assessments	-	-	-	-
Accounts	858	-	-	-
Other	461	-	-	-
Due from other funds	204,786	-	-	-
Due from Component Unit	-	-	-	-
Due from other governments	843	29,590	12,896	-
Inventories	9,579	-	-	-
Total assets	<u>\$ 671,513</u>	<u>218,265</u>	<u>276,352</u>	<u>905</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts and contracts payable	\$ 76,476	46,725	-	-
Accrued liabilities	22,259	2,453	-	-
Deferred revenue	-	-	-	-
Compensated absences - current	33,285	14,819	-	-
Due to other funds	-	-	-	-
Due to Component Unit	3,305	84	-	-
Total liabilities	<u>135,325</u>	<u>64,081</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Reserved for:				
Debt service	-	-	-	905
Perpetual Care	-	-	-	-
Long-term loan receivable	-	-	-	-
Unreserved:				
Undesignated, reported in:				
General fund	536,188	-	-	-
Special revenue funds	-	154,184	276,352	-
Capital projects funds	-	-	-	-
Total fund balances	<u>536,188</u>	<u>154,184</u>	<u>276,352</u>	<u>905</u>
Total liabilities and fund balances	<u>\$ 671,513</u>	<u>218,265</u>	<u>276,352</u>	<u>905</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$2,723,789

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds

Long-term special assessments receivable are not considered available to pay for current period's expenditures and reported as deferred revenues in the funds.

Accrued interest payable, is not due and payable in the current period and, therefore, is not reported in the funds.

Insurance proceeds deferred to next year.

Bonds payable and contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds, net of unamortized (premium) and discount of \$(37,368).

Net assets of governmental activities

See notes to financial statements

Capital Projects			
Lake Project Fund	South Grand Fund	Other Governmental Funds	Total Governmental Funds
312,561	-	1,056,225	2,266,700
-	-	2,352	2,352
-	-	9,538	19,646
-	-	41,525	41,525
105	209,143	-	210,106
-	-	8,333	8,794
-	-	-	204,786
-	335,323	-	335,323
-	-	36,991	80,320
-	-	-	9,579
<u>312,666</u>	<u>544,466</u>	<u>1,154,964</u>	<u>3,179,131</u>
1,550	17,650	48,313	190,714
1,703	-	-	26,415
-	-	41,525	41,525
236	-	-	48,340
-	186,521	18,265	204,786
7	-	-	3,396
<u>3,496</u>	<u>204,171</u>	<u>108,103</u>	<u>515,176</u>
-	-	4,743	5,648
-	-	69,165	69,165
-	335,323	8,333	343,656
-	-	-	536,188
-	-	218,482	649,018
309,170	4,972	746,138	1,060,280
<u>309,170</u>	<u>340,295</u>	<u>1,046,861</u>	<u>2,663,955</u>
<u>312,666</u>	<u>544,466</u>	<u>1,154,964</u>	

8,223,357

40,612

41,525

(16,580)

(37,837)

(2,811,775)

\$ 8,103,257

City of Emmetsburg, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue			
	General	Road Use	Local Option	Debt Service
	Fund	Tax Fund	Sales Tax Fund	Fund
Revenues:				
Property taxes	\$ 813,930	-	-	76,573
Tax increment financing	-	-	-	-
Other city taxes	147,112	-	278,491	1,786
Licenses and permits	11,518	-	-	-
Use of money and property	43,884	-	2,494	379
Intergovernmental	60,519	340,277	-	-
Charges for services	120,418	-	-	-
Special Assessments	-	-	-	-
Fines and forfeitures	10,149	-	-	-
Miscellaneous	165,035	7,975	-	-
Total revenues	<u>1,372,565</u>	<u>348,252</u>	<u>280,985</u>	<u>78,738</u>
Expenditures:				
Current:				
Public safety	574,632	-	-	-
Public works	222,768	489,805	-	-
Culture and recreation	608,280	-	-	-
Community and economic development	86,852	-	-	-
General government	353,860	-	-	-
Debt service	-	-	-	1,409,646
Capital projects	-	-	-	-
Total expenditures	<u>1,846,392</u>	<u>489,805</u>	<u>-</u>	<u>1,409,646</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(473,827)</u>	<u>(141,553)</u>	<u>280,985</u>	<u>(1,330,908)</u>
Other financing sources (uses)				
Proceeds on refunding bonds	-	-	-	1,760,000
Payments on refunding bonds	-	-	-	(1,760,000)
Premium on refunding bonds	-	-	-	63,594
Transfers in	516,372	125,946	-	1,253,873
Transfers out	(25,375)	-	(279,459)	-
Total other financing sources (uses)	<u>490,997</u>	<u>125,946</u>	<u>(279,459)</u>	<u>1,317,467</u>
Net change in fund balances	17,170	(15,607)	1,526	(13,441)
Fund balances (deficits), beginning	519,018	169,791	274,826	14,346
Fund balances, ending	<u>\$ 536,188</u>	<u>154,184</u>	<u>276,352</u>	<u>905</u>

See notes to financial statements

Capital Projects			
Lake Project Fund	South Grand Fund	Other Governmental Funds	Total Governmental Funds
-	-	409,597	1,300,100
-	-	288,139	288,139
-	-	10,403	437,792
-	-	39	11,557
-	515	6,126	53,398
200,000	-	225,622	826,418
-	-	1,080	121,498
-	-	20,329	20,329
-	-	-	10,149
50,000	894,466	535,844	1,653,320
250,000	894,981	1,497,179	4,722,700
-	-	-	574,632
-	-	-	712,573
-	-	12,821	621,101
-	-	16,655	103,507
-	-	-	353,860
-	-	-	1,409,646
153,539	30,876	536,957	721,372
153,539	30,876	566,433	4,496,691
96,461	864,105	930,746	226,009
-	-	-	1,760,000
-	-	-	(1,760,000)
-	-	-	63,594
1,467	-	228,772	2,126,430
(43,878)	(550,275)	(1,146,273)	(2,045,260)
(42,411)	(550,275)	(917,501)	144,764
54,050	313,830	13,245	370,773
255,120	26,465	1,033,616	2,293,182
309,170	340,295	1,046,861	2,663,955

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City of Emmetsburg, Iowa
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010

Net change in fund balances - total governmental	\$ 370,773
--	------------

Amounts reported for governmental activities in the Statement of Activities are Different because:

Governmental funds report capital outlays as expenditures while Governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Net acquisition of capital assets	513,904
Depreciation expense	(344,533)

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenue and are deferred in the governmental funds, as follows:

Local option sales tax	8,617
Hotel/motel taxes	2,623

Insurance proceeds shown as income in the governmental funds, but because the expense was not paid until the next year the proceeds are considered deferred revenue	(37,837)
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The change in long-term special assessments receivable is shown as deferred revenue in the funds and revenue in the government- wide statements	(15,870)
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Risk under loan guarantee expense	(316,347)
-----------------------------------	-----------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in this Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year Repayments exceeded issues, as follows:

New debt issued	(1,760,000)
Premium on refunding notes	(63,594)
Repaid	2,994,441
Accrued interest	(6,310)
Amortization of premium on refunding notes	530
Amortization of discount on general obligation bonds	(8,846)

Change in net assets of governmental activities	\$ <u>1,337,551</u>
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See notes to financial statements

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City of Emmetsburg, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
ASSETS			
Current assets:			
Cash	\$ 362,422	33,641	396,063
Other receivables	-	45	45
Inventories	7,326	-	7,326
Prepaid insurance	8,787	-	8,787
Due from component unit - customer receipts	52,523	-	52,523
Total current assets	<u>431,058</u>	<u>33,686</u>	<u>464,744</u>
Capital assets:			
Land and improvements	-	19,791	19,791
Buildings	28,509	52,882	81,391
Equipment and vehicles	243,921	7,034	250,955
Accumulated depreciation	(155,512)	(14,763)	(170,275)
Total capital assets	<u>116,918</u>	<u>64,944</u>	<u>181,862</u>
Total assets	<u><u>547,976</u></u>	<u><u>98,630</u></u>	<u><u>646,606</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	13,014	10,889	23,903
Other payables	4,066	20	4,086
Compensated absences - due within one year	2,971	-	2,971
Total current liabilities	<u>20,051</u>	<u>10,909</u>	<u>30,960</u>
NET ASSETS			
Invested in capital assets, net of related debt	116,918	64,944	181,862
Unrestricted	411,007	22,777	433,784
Total net assets	<u><u>\$ 527,925</u></u>	<u><u>87,721</u></u>	<u><u>615,646</u></u>

See notes to financial statements

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City of Emmetsburg, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Asset
Proprietary Funds
For the Year Ended June 30, 2010

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
Operating revenues:			
Charges for services	\$ 406,216	14,525	420,741
Other	-	6,120	6,120
Total operating revenues	<u>406,216</u>	<u>20,645</u>	<u>426,861</u>
Operating expenses:			
Personal services	162,836	1,531	164,367
Contractual services	159,130	19,671	178,801
Supplies and equipment	34,490	2,240	36,730
Depreciation	28,483	2,211	30,694
Total operating expenses	<u>384,939</u>	<u>25,653</u>	<u>410,592</u>
Operating income (loss)	<u>21,277</u>	<u>(5,008)</u>	<u>16,269</u>
Nonoperating revenues (expenses):			
Interest revenue	2,563	703	3,266
Total nonoperating revenues (expenses)	<u>2,563</u>	<u>703</u>	<u>3,266</u>
Income before transfers	<u>23,840</u>	<u>(4,305)</u>	<u>19,535</u>
Transfers in	<u>-</u>	<u>11,800</u>	<u>11,800</u>
Change in net assets	23,840	7,495	31,335
Net assets, beginning	504,085	80,226	584,311
Net assets, ending	<u>\$ 527,925</u>	<u>87,721</u>	<u>615,646</u>

See notes to financial statements

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City of Emmetsburg, Iowa
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Business-type Activities- Enterprise Funds		
	Solid Waste	Cemetery	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 353,693	20,645	374,338
Payments to suppliers	(195,082)	(17,206)	(212,288)
Payments to employees	(163,603)	(1,531)	(165,134)
Net cash provided by (used in) operating activities	(4,992)	1,908	(3,084)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital assets	-	(20,668)	(20,668)
Net cash provided by (used in) capital and related financing activities	-	(20,668)	(20,668)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	11,800	11,800
Net cash provided by (used in) noncapital financing activities	-	11,800	11,800
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	2,563	703	3,266
Net increase (decrease) in cash	(2,429)	(6,257)	(8,686)
CASH BALANCES, Beginning	364,851	39,898	404,749
CASH BALANCES, Ending	\$ 362,422	33,641	396,063
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 21,277	(5,008)	16,269
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	28,483	2,211	30,694
Change in assets and liabilities:			
(Increase) decrease in:			
Customer and other receivables	-	(45)	(45)
Inventories	3,325	-	3,325
Prepaid insurance	(2,598)	-	(2,598)
Due from component unit - customer receipts	(52,523)	-	(52,523)
Increase (decrease) in accounts payable, accrued and other liabilities	(2,956)	4,750	1,794
Net cash provided by operating activities	\$ (4,992)	1,908	(3,084)

See notes to financial statements

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**CITY OF EMMETSBURG, IOWA
NOTES TO FINANCIAL STATEMENTS
INDEX**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity
- B. Government-wide and Fund Financial Statements
- C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
- D. Assets, Liabilities, and Net Assets or Equity

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- A. Budgetary Information

NOTE 3. DETAIL NOTES ON ALL FUNDS

- A. Deposits and Investments
- B. Capital Assets
- C. Long-term Debt
- D. Due to Component Unit
- E. Interfund Transactions
- F. Interfund Balances

NOTE 4. OTHER NOTES

- A. Retirement Systems
- B. Other Employee Benefits
- C. Related Party Transactions
- D. Risk Management
- E. Other Postemployment Benefits (OPEB)
- F. Insurance Recovery
- G. Governmental Accounting Standards Board Statements

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Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Emmetsburg is a municipal corporation governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. The discretely presented gas, water, and sanitation utilities each have a June 30 year end.

Discretely Presented Component Units. The gas, water, and sanitation utilities serve all the citizens of the City and are governed by a five-member board appointed by the mayor of the City of Emmetsburg. The rates for user charges and bond issuance authorizations are approved by the City Council, and the legal liability for the general obligation portion of the Utilities' debt remains with the City.

Complete financial statements for the Utilities may be obtained at the administrative offices.

Emmetsburg Municipal Utilities
2021 Main Street
Emmetsburg, Iowa 50536

Jointly Governed Organizations. The City also participates in a jointly governed organization for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. The Mayor and Police Chief are members of the Palo Alto County Joint E911 Service Board. The City also participated with Iowa Lakes Community College in the operation of the community library and wellness center. The City has recorded its share of the expense in the governmental fund. The community wellness center and library is an asset of the College and its audit is included in the college audit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain separate component units for which the primary government is financially accountable.

The statement of net assets presents the assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are, aggregated and reported as other governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as

expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest, fines and forfeitures, and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other grant requirements have been met, and the criteria for accrual has been met.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *road use tax fund* accounts for state revenues allocated to the City to be used to maintain and improve the City's streets.

The *local option sales tax fund* accounts for taxes collected and expenditures in accordance with the ballot issue. 80% is to be extended for streets, infrastructure and other essential corporate purposes, and 20% for community betterment.

The *debt service fund* accounts for taxes levied in the payment of City debt.

The *lake project fund* accounts for the dredging of Five Island Lake. The lake is an asset of the State of Iowa.

The *South Grand fund* accounts for repairs to South Grand Street following a recent major improvement.

The City reports the following major proprietary funds:

The *solid waste fund* accounts for the City garbage collection.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same

limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments between the government's component unit and various other functions of the government. Elimination of the charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues do not include all taxes. The taxes are recorded as a liability and submitted to the taxing authority from the liability account.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the solid waste fund and cemetery funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City and the Utility to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. Investments of the City and Utility are reported at fair value. Due to legal and budgetary reasons, the General Fund is assigned a portion of the investment earnings associated with the Road Use Tax fund. The Cemetery fund is assigned the investment earnings associated with the Cemetery Perpetual Care Fund. Due to budgetary and policy reasons the General Fund is assigned a portion of the investment earnings associated with the Employee

Benefit Fund, Capital Improvements Revolving Fund and the Lake Project Fund. The City transfers the interest from the General Fund to the Lake Project Fund in the form of a transfer.

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City uses the direct write off method that does not materially differ from generally accepted accounting principles.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2010, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2009 and March 31, 2010. On July 1, 2009 the taxes were levied by the County and became an enforceable lien against property. Any County collections on the 2009-2010 tax levy remitted to the City within sixty days subsequent to June 30, 2010, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2010, are delinquent but have not been recorded as receivables and deferred revenue due to their immateriality.

By statute, the City is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

3. *Inventories and Prepaid Items*

Inventories in the governmental fund types are valued at cost using the first-in/first-out method. The costs of governmental fund type inventories are not recognized as expenditures when purchased as required by generally accepted accounting principles. The cost is recognized as expenditures when consumed. However, the amount is not material to the financial statements.

Inventories in the proprietary fund types are valued at the lower of first-in/first-out cost or market. The cost of proprietary fund type inventories are recognized as expenses when consumed.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are defined by the government as equipment with initial,

individual cost of \$1,000 or greater or a purchase of land, land improvements, building, or infrastructure with a value of \$5,000 or greater and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City did not maintain a capital assets record prior to the adoption of GASB 34. The City estimated the cost of buildings, equipment, vehicles and accumulated depreciation based on approximate date of purchase. Land related to parks, airport etc. has not been estimated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are not included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Machinery and equipment	5-15 years
Vehicles	5-10 years
Improvements	15-20 years
Infrastructure	25-40 years
Buildings	20-50 years

5. *Compensated Absences*

City employees accumulate vacation and comp-time hours for subsequent use or for payment upon termination, death, or retirement. Earned vacation pay may be paid upon termination of employment. The liability for compensated absences is recorded as current in the government-wide statements since historical trends indicate none are long-term.

The compensated absence liability has been computed based on rates of pay in effect on June 30, 2010.

6. *Long-term Obligations*

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary information

The City prepares and adopts an annual budget on a function basis for the City as a whole, rather than at the fund level, as prescribed by Iowa statutes. The State of Iowa mandates that annual budgets for the fiscal year beginning July 1 be certified to the County Auditor no later than March 15 preceding the beginning of the fiscal year. The review and adoption of the budget for the City is in accordance with state laws and City budget procedures as stated in City Code, and amended by ordinance adoption thereafter. Budget proposals for all operating department requests are conducted by the Finance Officer who prepares, for the Council's, a preliminary budget during the month of February of each year for the coming fiscal year. The budget proposal presented to the City Council by the Mayor and City Clerk is a complete financial plan for the upcoming fiscal year. The City Council holds various budget meetings with the Mayor, City Clerk, department heads, and boards and commissions, as well as holding a public hearing prior to adopting the budget. The Council adopts the budget by resolution and certifies it to the County Auditor by the 15th of March preceding the beginning of the fiscal year. This budget becomes the appropriation for operations of the City.

The adopted budget presents expenditures in eight functions - Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, and Business-type Activities. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the function level. Appropriations as adopted lapse at the end of the fiscal year.

Amendments to the City budget are considered annually as funding sources are available. Management is not authorized to amend the budget or to make budgetary transfers between functions without the approval of the City Council. An additional levy of property taxes is not allowed, by state law. The City budget for the current year may be amended for any of the following purposes:

- To permit the appropriation and expenditure of unexpended, unencumbered fund balances on hand at the end of the preceding fiscal year.
- To permit the appropriation and expenditure of amounts anticipated being available from sources other than property taxation.
- To permit transfers between funds as prescribed by state law.
- To permit transfers between functions.

The Council adopts the amended budget by resolution and certifies it to the County Auditor by May 31 of the budget year. The amended budget becomes the appropriation for operations of the City. The City Council adopted two budget amendment resolutions during the year ended June 30, 2010.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Due to the emphasis placed on monitoring budgets, as a result of limited resources to provide City services, major classifications such as personal services, capital outlays, contractual services, and commodities are monitored throughout the year by the City Clerk.

Monthly reports are prepared by department and activity. Any major deviations must be approved by the City Council. While the legal level of control is the program level of expenditure, departments are responsible for not expending more than the amount of the appropriation for each activity within their area of responsibility, unless approved by the City Council.

The City budgets all revenues, expenditures and expenses, and interfund and intrafund transfers on the modified accrual basis. The budget amounts included in this report are the final modified accrual basis budget for the year for all funds. Budgeted interfund transfers and intrafund transfers have been eliminated in the statement of budgetary comparison schedule of revenues, expenditures/expenses and changes in fund balances - budget and actual.

Individual fund budgets are, in all cases where appropriations are required, the same as the appropriation amounts. In the case of the General Fund and most of the special revenue funds, unexpended budgeted amounts lapse at the end of the budget year.

Note 3. Detailed Notes on All Funds

A. Deposits and investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City received as a donation insured registered corporate stock with a book value of \$2,041. No determination of the market value of this stock has been determined.

The City had no investments meeting the disclosure requirements, of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk: The City's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit risk: The City's investment policy does not allow investments in commercial paper, other corporate debt, commercial paper or other corporate debt during the year.

Concentration of credit risk: The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The component units' deposits were entirely covered by Federal depository insurance and by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there is no loss of public funds.

B. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government**Governmental activities:**

	Balance			Balance
Asset costs	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>
Land and land improvements	\$ 27,920	4,542		32,462
Machinery and equipment,				
Vehicles	2,650,323	269,012	(10,000)	2,909,335
Buildings	1,050,924	97,396	-	1,148,320
Infrastructure	4,868,244	1,730,548	-	6,598,792
Construction in progress	1,845,832	96,214	(1,683,809)	258,237
Total asset costs	<u>10,443,243</u>	<u>2,197,712</u>	<u>(1,693,809)</u>	<u>10,947,146</u>

Less accumulated depreciation

Machinery and equipment,				
Vehicles	1,591,481	167,953	(10,000)	1,749,434
Buildings	374,805	31,209	-	406,014
Infrastructure	422,970	145,371	-	568,341
Total accumulated depreciation	<u>2,389,256</u>	<u>344,533</u>	<u>(10,000)</u>	<u>2,723,789</u>

Governmental activities, capital assets, net

\$ <u>8,053,987</u>	<u>1,853,179</u>	<u>(1,683,809)</u>	<u>8,223,357</u>
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Business- type activities:

	Balance			Balance
Asset costs	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>
Land and land improvements	\$ 19,791	-	-	19,791
Machinery and equipment,				
Vehicles	250,955	-	-	250,955
Buildings	31,302	50,089	-	81,391
Construction in progress	29,420	-	(29,420)	-
Total asset costs	<u>331,468</u>	<u>50,089</u>	<u>(29,420)</u>	<u>352,137</u>

Less accumulated depreciation

Land and improvements	3,538	696	-	4,234
Machinery and equipment,				
Vehicles	125,305	28,606	-	153,911
Buildings	10,738	1,392	-	12,130
Total accumulated depreciation	<u>139,581</u>	<u>30,694</u>	<u>-</u>	<u>170,275</u>

Business- type assets, net

\$ <u>191,887</u>	<u>19,395</u>	<u>(29,420)</u>	<u>181,862</u>
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Public safety	\$	39,699
Public works		227,409
Culture and recreation		69,516
Community and economic development		863
General government		7,046
Total depreciation expense-governmental funds	\$	<u>344,533</u>

Business- type activities:

Solid waste	\$	28,483
Cemetery		2,211
	\$	<u>30,694</u>

Construction commitments

The City has active construction projects as of June 30, 2010. At year-end the City's Commitments with contractors are as follows:

Governmental activities:

	Project Authorization	Extended To Date
Monroe Street	\$ A	64,008
Airport Taxiline	215,874	120,277
Airport Layout	127,373	29,912
Airport environment assessment	59,447	44,040
	\$ <u>402,694</u>	<u>258,237</u>

A Postponed

Discretely Presented Component Units

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Gas department:				
Land	\$ 1,039	-	-	1,039
Structures and plant	336,535	3,520	-	340,055
Distribution system	1,154,092	-	-	1,154,092
Equipment, meters and mains	843,164	9,201	-	852,365
total asset costs	2,334,830	12,721	-	2,347,551
Less accumulated depreciation	(1,599,653)	(58,298)	-	(1,657,951)
Gas department assets, net	\$ 735,177	(45,577)	-	689,600
Water Department:				
Land	\$ 67,067	-	-	67,067
Structures and plant	3,942,440	-	-	3,942,440
Distribution system	2,004,823	-	-	2,004,823
Equipment, meters and mains	1,012,809	128,441	-	1,141,250
total asset costs	7,027,139	128,441	-	7,155,580
Less accumulated depreciation	(2,211,023)	(217,898)	-	(2,428,921)
Water department assets, net	\$ 4,816,116	(89,457)	-	4,726,659
Sanitation Department:				
Land	\$ 84,542	-	-	84,542
Structures and plant	4,352,104	1,192,438	-	5,544,542
Distribution system	1,650,102	61,065	-	1,711,167
Equipment, meters and mains	1,696,643	29,898	-	1,726,541
total asset costs	7,783,391	1,283,401	-	9,066,792
Less accumulated depreciation	(3,278,090)	(192,259)	-	(3,470,349)
	4,505,301	1,091,142	-	5,596,443
Construction in progress	26,689	-	(26,689)	-
Sanitation department assets, net	\$ 4,531,990	1,091,142	(26,689)	5,596,443

No detailed depreciation schedule or continuing property record is maintained.

Consequently, it is impossible to use generally accepted accounting principles for retirements or abandonment of capital assets. Salaries paid for plant investment have been expensed at the time of payment. Vehicle expense and overhead related to construction is not capitalized. Under generally accepted accounting principles, salaries, vehicle expenses and overhead should be capitalized.

C. Long-term Debt

General Obligation Bonds

Unmatured general obligation bonds totaling \$2,292,368, net of unamortized premium, unamortized discount and unamortized deferred amount on refunding, are outstanding as of June 30, 2010. These bonds bear interest with rates ranging from 3.00% to 4.50%,; mature in varying annual amounts through June 1, 2020; and were originally

issued for \$2,430,000. Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,		Governmental Activities	
		Principal	Interest
2011	\$	305,000	79,266
2012		320,000	65,430
2013		330,000	55,115
2014		340,000	44,375
2015		295,000	33,300
2016 - 2020		665,000	61,925
Total	\$	<u>2,255,000</u>	<u>339,411</u>

Tax Increment Financing Agreements

An Emmetsburg, Iowa company has constructed public infrastructure located in the North Urban Renewal Area. In recognition of the company's obligation the City agreed to make payments on December 1 and June 1 of each fiscal year, beginning December 1, 2004, and continuing on nine additional fiscal years thereafter, or until the total principal of \$300,000 has been paid, whichever occurs first. Incremental property taxes are produced by multiplying the consolidated property tax levy times the incremental valuation of the property, then subtracting debt service levies of all taxing jurisdictions, subtracting the school district physical plant and equipment levy and subtracting any other levies, which may be exempt from such calculation by action of the Iowa General Assembly. Future years payment amounts are unknown. \$127,738 remains outstanding as of June 30, 2010.

A Palo Alto County Company has constructed public infrastructure located in the South Urban Renewal Area. In recognition of the Company's obligation the City agreed to make ten semi-annual tax increment payments in the aggregate principal amount of \$105,000 plus interest at 8.30% per annum, maturing June 1, 2012. \$49,578 remains outstanding as of June 30, 2010. Annual debt service requirements to maturity for the tax increment financing agreement are as follows:

Year Ending June 30,		Governmental Activities	
		Principal	Interest
2011	\$	23,781	3,632
2012		25,797	1,617
Total	\$	<u>49,578</u>	<u>5,249</u>

Risk under loan guarantee

The City is obligated under a 50% loan liability guarantee related to the financing for the purchase of 58 acres of land for a business park by the Emmetsburg Community Development Corporation (ECDC). The guarantee is for 50% of a \$685,000 direct and indirect loan from USDA Rural Development and Iowa Trust and Savings Bank, including

50% of interest due on those loans. During the year ended June 30, 2010, ECDC was unable to service the debt and the City assumed \$316,347 of the loan, which was recorded as expense in the community and economic development program in the statement of activities. The loans under the guarantee are as follows:

\$485,000 USDA Rural Development, due in annual payments of \$699 - \$27,055 to November 7, 2040 and interest at 4.125%. The loan balance at June 30, 2010 totaled \$220,223.

\$200,000 Iowa Trust and Savings Bank, due in annual payments of \$4,323 - \$16,430 to November 5, 2032 and variable interest at 6.75%. The loan balance at June 30, 2010 totaled \$91,511.

Annual debt service requirements to maturity for Risk under loan guarantee are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2011	\$ 2,510	15,517
2012	6,270	15,088
2013	6,584	14,775
2014	6,924	14,435
2015	7,282	14,076
2015-2041	282,164	180,781
	<u>\$ 311,734</u>	<u>254,672</u>

Future payments on these two loans, if any, made by ECDC will be recorded as income in the statement of activities.

As of June 30, 2010, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Estimated Actual valuation of taxable property with the City	\$ <u>169,158,388</u>
Debt limit - 5% of total actual valuation	\$ 8,457,919
Debt applicable to debt limit:	
General obligation bonds	<u>2,255,000</u>
Legal debt margin	<u>\$ 6,202,919</u>

All tax-exempt debt issued by the City is subject to IRS arbitrage rebate unless the City meets the \$5 million small issuers exemption in a given year. As of June 30, 2010, the City had no arbitrage liability.

Debt Summary

Following is a summary of the City's debt transactions for the year ended June 30, 2010, and the total bonded indebtedness of the City as of that date.

	Date of Issue	Balance July1, 2009	Incurred/ Issued	Redeemed/ Issued	Balance June 30, 2010
Governmental Activities:					
<u>General obligation bonds:</u>					
\$475,000 corporate purpose	2004	\$ 255,000	-	(255,000)	-
\$1,050,000 corporate purpose	2005	690,000	-	(690,000)	-
\$670,000 street improvement	2006	555,000	-	(60,000)	495,000
\$1,165,000 GO corporate purpose bond anticipation notes Series 2008	2008	1,165,000	-	(1,165,000)	-
\$750,000 general obligation corporate purpose bond anticipation notes, series 2008B	2008	750,000	-	(750,000)	-
\$1,760,000 corporate purpose and refunding notes, series 2010	2010	-	1,760,000	-	1,760,000
		3,415,000	1,760,000	(2,920,000)	2,255,000
Add unamortized premium		-	63,594	(530)	63,064
Less unamortized discount		34,548	-	(26,122)	8,426
Less unamortized deferred amount on refunding		-	24,904	(7,634)	17,270
		3,380,452	1,798,690	(2,886,774)	2,292,368
<u>Tax increment financing:</u>					
Medium lake development	2003	158,606	-	(30,868)	127,738
Housing development	2006	71,502	-	(21,924)	49,578
		230,108	-	(52,792)	177,316
<u>Lease purchase agreement:</u>	2009	13,347	-	(13,347)	-
<u>Risk under loan guarantee</u>					
USDA Rural Development	2010	-	222,409	(2,186)	220,223
Iowa Trust and Savings Bank	2010	-	93,938	(2,427)	91,511
		-	316,347	(4,613)	311,734
Governmental activity total					
Long - term debt		\$ 3,623,907	2,115,037	(2,957,526)	2,781,418

Component Unit Debt Information:

Revenue Bonds and Installment Agreements – Water and Sanitation Utility

The Series 1998A, 1998B, 2005MC60R, 2005, 2009A and 2009B revenue bonds and Iowa Finance Authority Loan and Disbursement Agreement require annual principal payments, due December 1, and semi-annual interest payments, due June 1 and December 1. Interest rates throughout the term of the bonds are in a range between 3.00% and 4.23%. The Iowa Finance Authority Loan and Disbursement Agreement interest rate is 0%. The bonds are secured by the future net revenues of the Utility.

Risk under loan guarantee – Gas Utility

The Utilities is also obligated under a 50% loan liability guarantee related to the financing for the purchase of 58 acres of land for a business park by the Emmetsburg Community Development Corporation ("ECDC"). The guarantee is for 50% of a \$685,000 direct and indirect loan from USDA Rural Development and Iowa Trust and Savings Bank, including 50% of interest due on those loans. During fiscal 2010, ECDC was unable to service the debt and the Utilities assumed 50% of the loan liabilities, which were recorded as a non-operating risk under loan guarantee expense of \$316,347.

Long-term debt matures and bears interest as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 201,892	136,615	338,507
2012	225,503	136,505	362,008
2013	230,694	129,615	360,309
2014	240,937	126,452	367,389
2015	247,225	115,172	362,397
2016-2041	3,412,094	805,773	4,217,867
	<u>\$ 4,558,345</u>	<u>1,450,132</u>	<u>6,008,477</u>

Debt Summary – Water and Sanitation Utility

Long-term debt activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Incurred/ Issued	Redeemed/ Paid	Balance June 30, 2010
<u>Revenue bonds:</u>				
Water Utility:				
Series 2005	\$ 2,434,000	-	112,000	2,322,000
Sanitation Utility:				
Series 1998A	190,000	-	20,000	170,000
Series 1998B	102,000	-	10,000	92,000
Series 2005 MC60R	505,001	-	25,000	480,000
Series 2009A	-	762,611	-	762,611
Series 2009B	-	420,000	-	420,000
Total revenue bonds	3,231,000	1,182,611	167,000	4,246,611
Sanitation Utility:				
<u>Loan and disbursement</u>				
<u>agreement</u>	50,000	-	50,000	-
Gas Utility:				
<u>Risk under loan guarantee</u>				
USDA Rural Development	-	222,409	2,186	220,223
Iowa Trust and Savings Bank	-	93,938	2,427	91,511
Total long-term debt	\$ 3,281,000	1,498,958	221,613	4,558,345

D. Due to Component Unit

The City issued the Emmetsburg Municipal Utilities a \$40,000 Urban Renewal Tax Increment Revenue Bond dated October 11, 2006. Principal on this bond shall bear interest at the rate of 4% per annum. The bond is due in 20 equal semi-annual installments of \$2,508 each December 1 and June 1, commencing December 1, 2007. The bond matures on June 1, 2017. The June 30, 2010 balance is \$30,357.

The long-term due to Component Unit and due from Primary Government is as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2011	\$ 3,839	1,176
2012	3,994	1,021
2013	4,155	859
2014	4,323	692
2015	4,498	517
2015-2017	9,548	482
	\$ 30,357	4,747

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E. Interfund Transactions

The following transfers represent individual fund interfund transfers as stated in the Fund Financial Statements.

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Local Option Sales Tax Fund	\$ 74,087
	Non-major Governmental Funds	442,285
		<u>516,372</u>
Road Use Tax Fund	Local Option Sales Tax Fund	33,750
	Non-major Governmental Funds	92,196
		<u>125,946</u>
Debt Service Fund	Local Option Sales Tax Fund	70,372
	Lake Project Fund	37,691
	South Grand Fund	550,275
	Non-major Governmental Funds	595,535
		<u>1,253,873</u>
Lake Project Fund	General Fund	<u>1,467</u>
Non-major Governmental Funds	General Fund	23,908
	Local Option Sales Tax Fund	101,250
	Lake Project Fund	6,187
	Non-major Governmental Funds	16,257
		<u>147,602</u>
	Total	\$ <u>2,045,260</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them, (2) move debt service payments from general fund, capital projects funds or special revenue funds to the debt service fund as debt service payments come due, (3) to move Interest receipts for the lake project fund for interest earned on its investments and deposited in the general fund by City policy, and (4) to move funds to and from various capital projects funds for the purchase or construction of new capital assets.

F. Interfund Balances

Individual interfund receivables and payable balances by fund type as of June 30, 2010 were stated in the fund financial statements as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 204,786	-
South Grand	-	186,521
Nonmajor Governmental Funds	-	18,265
	<u>\$ 204,786</u>	<u>204,786</u>

Note 4. Other Notes

A. Retirement Systems

IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary (6.14% for police) and the City is required to contribute 6.65% of annual covered payroll (9.20% for police). Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$73,761, \$64,505 and \$54,282 respectively, equal to the required contributions for each year.

Deferred Compensation Plan

The City offers a deferred compensation plan for its employees under IRS Code Section 457. The City plan is invested in ING through the Financial Center in Emmetsburg, Iowa.

B. Other Employee Benefits

The City maintains hospitalization and life insurance coverage for all of its full-time employees. The City pays all costs of the basic insurance. The City also partially self-insures a portion of the health insurance through a medical reimbursement plan. The City had no material claims incurred but not reported as of June 30, 2010.

C. Related Party Transactions

The Component Unit bills and collects for garbage and recycling services provided for by the Solid Waste Fund to its residents. During the year ended June 30, 2010, the Component Unit collected \$404,763 in fees for the Solid Waste Fund.

The amounts due from the Component Unit at June 30, 2010, were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Primary Government:		
South Grand Fund	\$ 335,323	-
General Fund	-	3,305
Road Use Tax Fund	-	84
Lake Project Fund	-	7
Solid Waste Fund	52,714	191
	<u>\$ 388,037</u>	<u>3,587</u>
Component Unit:		
Gas Utility	\$ 2,106	43,141
Water Utility	645	172,512
Sanitation Utility	645	172,384
	<u>\$ 3,396</u>	<u>388,037</u>

The Component Unit did not record the \$191 due from the Solid Waste Fund.

D. Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

E. Other Postemployment Benefits (OPEB)

The City operates a single-employer retiree benefit plan, which provides medical/prescription drug benefits for retirees and their spouses. There are seventeen (17) active and no retired members in the plan. Participants must be age 55 or older at retirement. The benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the benefits as active employees and retirees are required to reimburse the City for any premiums paid under the plan. The contribution requirements of plan members are established and may be amended by the City.

The City did not implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions. This is a departure from Generally Accepted Accounting Principles. The Amount by which this departure would affect liabilities, net assets and expenses is not reasonably determinable.

F. Insurance Recovery

The City received \$46,323 for hail damage during the year. The City expended \$8,486 for repairs for the year ended June 30, 2010. Therefore, the City has deferred \$37,837 in the statement of net assets – succeeding year unearned revenue.

\$46,323 is recorded in miscellaneous income in the statement of revenues, expenditures, and changes in fund balances.

G. Governmental Accounting Standards Board Statements

The Governmental Accounting Standards Board (GASB) has issued one statement not yet implemented by the City of Emmetsburg. The statement, which might impact the City is as follows:

Statement No. 54, *Fund Balance Reporting and governmental Fund Type Definitions* issued February 2009, will be effective for the year ending June 30, 2011. This statement establishes new standards for fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The City's management has not yet determined the effect this statement will have on the City's financial statements.

City of Emmetsburg, Iowa
 Budgetary Comparison Schedule - Function Budget
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - (Negative)
	Original	Final		
Revenues:				
Property taxes and assessments	\$ 1,293,035	1,293,035	1,300,100	7,065
Tax increment financing	286,755	286,755	288,139	1,384
Other City taxes	445,066	433,666	437,792	4,126
Licenses and permits	32,255	36,255	11,557	(24,698)
Use of money and property	174,515	175,740	93,781	(81,959)
Intergovernmental	1,948,011	1,439,656	826,418	(613,238)
Charges for services	5,308,749	5,275,499	4,043,500	(1,231,999)
Special assessments	23,000	23,000	20,329	(2,671)
Miscellaneous	83,300	98,627	1,669,589	1,570,962
Total revenues	<u>9,594,686</u>	<u>9,062,233</u>	<u>8,691,205</u>	<u>(371,028)</u>
Expenditures:				
Current:				
Public safety	570,051	576,163	574,632	1,531
Public works	674,485	756,409	712,573	43,836
Culture and recreation	601,166	654,923	621,101	33,822
Community and economic development	222,180	229,185	103,507	125,678
General government	344,725	360,825	353,860	6,965
Debt service	414,352	3,161,422	1,409,646	1,751,776
Capital projects	1,672,650	1,087,961	721,372	366,589
Business-type	4,877,131	5,069,881	4,090,447	979,434
Total expenditures	<u>9,376,740</u>	<u>11,896,769</u>	<u>8,587,138</u>	<u>3,309,631</u>
Excess (deficiency) of revenues over (under) expenditures	<u>217,946</u>	<u>(2,834,536)</u>	<u>104,067</u>	<u>2,938,603</u>
Other financing sources (uses):				
Proceeds on refunding bonds	-	1,769,864	1,760,000	(9,864)
Payments on refunding bonds	-	-	(1,760,000)	(1,760,000)
Premium on refunding on bonds	-	-	63,594	63,594
Transfers in	1,186,235	2,751,171	2,138,230	(612,941)
Transfers out	(1,186,235)	(2,550,941)	(2,138,230)	412,711
Total other financing sources (uses)	<u>-</u>	<u>1,970,094</u>	<u>63,594</u>	<u>(1,906,500)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>217,946</u>	<u>(864,442)</u>	<u>167,661</u>	<u>1,032,103</u>
Fund balances, beginning	<u>13,908,281</u>	<u>13,908,281</u>	<u>14,888,696</u>	<u>980,415</u>
balance, ending	<u>\$ 14,126,227</u>	<u>13,043,839</u>	<u>15,056,357</u>	<u>2,012,518</u>

See notes to the required supplementary information.

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City of Emmetsburg, Iowa
Notes to Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2010

1. Budgetary Reporting

The budget includes the Component Units budgeted figures as well as the
Primary Governments budgeted figures.

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified accrual basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the
budget basis and appropriations last year.

Formal and legal budgetary control is based upon 9 major classes of
expenditures known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital projects fund, and enterprise funds. Although the budget document
presents function expenditures by fund, the legal level of control is at the aggregated function level, not by fund.

During the year, the budget amendments increased budgeted expenditures by \$2,520,029. These budget amendments are reflected in the final budgeted amounts.

City of Emmetsburg, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2010

Budgetary Reporting

The budget includes the Component Units budgeted figures as well as the Primary Governments budgeted figures.

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No.41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, City Council annually adopts a budget on the modified accrual basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the budget basis and appropriations last a year.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital projects fund, and enterprise funds. Although the budget document presents function expenditures by fund, the legal level of control is at that aggregated function level, not by fund.

During the year, the budget amendments increased budgeted expenditures by \$2,520,029. These budget amendments are reflected in the final budgeted amounts.

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010
(Page 1 of 4)

	Special Revenue		
	Emergency Fund	Employee Benefit Fund	South TIF Fund
ASSETS			
Cash	\$ -	28,902	40,659
Investments	-	-	-
Receivables			
Property taxes	278	4,372	2,729
Special assessments	-	-	-
Other	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 278</u>	<u>33,274</u>	<u>43,388</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Deferred revenue			
Due to other funds	278	-	-
Total liabilities	<u>278</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Debt service	-	-	-
Perpetual care	-	-	-
Long-term loan receivable	-	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	-	33,274	43,388
Capital projects funds	-	-	-
Total fund balances (deficit)	<u>-</u>	<u>33,274</u>	<u>43,388</u>
Total liabilities and fund balances	<u>\$ 278</u>	<u>33,274</u>	<u>43,388</u>

North TIF Fund	North TIF LMI Set Aside Fund	East TIF Fund	ECDC Trust Fund
53,902	4,326	4	53,867
-	-	-	2,352
1,403	-	756	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>55,305</u>	<u>4,326</u>	<u>760</u>	<u>56,219</u>
-	-	-	2,884
-	-	-	-
-	-	-	-
-	-	-	<u>2,884</u>
-	-	-	-
-	-	-	-
-	-	-	-
55,305	4,326	760	53,335
-	-	-	-
<u>55,305</u>	<u>4,326</u>	<u>760</u>	<u>53,335</u>
<u>55,305</u>	<u>4,326</u>	<u>760</u>	<u>56,219</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010
(Page 2 of 4)

	Special Revenue		Permanent
	ECDC Revolving Loan Fund	Community Beautification Fund	Perpetual Care Fund
ASSETS			
Cash	\$ 8,728	19,425	69,165
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Special assessments	-	-	-
Other	8,333	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 17,061</u>	<u>19,425</u>	<u>69,165</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	59	-
Deferred revenue	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>59</u>	<u>-</u>
FUND BALANCES			
Reserved for:			
Debt service	-	-	-
Perpetual care	-	-	69,165
Long-term loan receivable	8,333	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	8,728	19,366	-
Capital projects funds	-	-	-
Total fund balances (deficit)	<u>17,061</u>	<u>19,366</u>	<u>69,165</u>
Total liabilities and fund balances	<u>\$ 17,061</u>	<u>19,425</u>	<u>69,165</u>

Capital Projects

Improvement Revolving Fund	Rail Road Fund	Kearny Park Fund	First Street Fund
221,773	18,950	36,982	4,493
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>221,773</u>	<u>18,950</u>	<u>36,982</u>	<u>4,493</u>
8,486	-	-	-
-	-	-	-
-	-	-	-
<u>8,486</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>213,287</u>	<u>18,950</u>	<u>36,982</u>	<u>4,493</u>
<u>213,287</u>	<u>18,950</u>	<u>36,982</u>	<u>4,493</u>
<u>221,773</u>	<u>18,950</u>	<u>36,982</u>	<u>4,493</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010
(Page 3 of 4)

	Capital Projects		
	Highway 18/ Urban Fund	Safe Routes to School Fund	Sewell Park Fund
ASSETS			
Cash	\$ 5,426	1,554	25,139
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Special assessments	-	-	-
Other	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 5,426</u>	<u>1,554</u>	<u>25,139</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	1,505	939
Deferred revenue	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>1,505</u>	<u>939</u>
FUND BALANCES			
Reserved for:			
Debt service	-	-	-
Perpetual care	-	-	-
Long-term loan receivable	-	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	-	-	-
Capital projects funds	5,426	49	24,200
Total fund balances (deficit)	<u>5,426</u>	<u>49</u>	<u>24,200</u>
Total liabilities and fund balances	<u>\$ 5,426</u>	<u>1,554</u>	<u>25,139</u>

CDBG Housing Rehabilitation Fund	Wild Rose Allocation Fund	Airport Taxiline Improvement Fund
23,663	235,750	-
-	-	-
-	-	-
-	-	-
-	-	34,025
<u>23,663</u>	<u>235,750</u>	<u>34,025</u>
359	495	8,758
-	-	-
-	-	17,987
<u>359</u>	<u>495</u>	<u>26,745</u>
-	-	-
-	-	-
-	-	-
23,304	235,255	7,280
<u>23,304</u>	<u>235,255</u>	<u>7,280</u>
<u>23,663</u>	<u>235,750</u>	<u>34,025</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010
(Page 4 of 4)

	Capital Projects		
	CDBG Sewer Fund	Airport Layout Plan Fund	Industrial Park Fund
ASSETS			
Cash	\$ 44,713	32,047	2,655
Investments	-	-	-
Receivables			
Property taxes		-	-
Special assessments	-	-	-
Other	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 44,713</u>	<u>32,047</u>	<u>2,655</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	7,942	2,655
Deferred revenue	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>7,942</u>	<u>2,655</u>
FUND BALANCES			
Reserved for:			
Debt service	-	-	-
Perpetual care	-	-	-
Long-term loan receivable	-	-	-
Unreserved, undesignated, reported in:			
Special revenue funds	-	-	-
Capital projects funds	44,713	24,105	-
Total fund balances (deficit)	<u>44,713</u>	<u>24,105</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 44,713</u>	<u>32,047</u>	<u>2,655</u>

Capital Projects		Debt Service	Total
Airport Environ. Assess Fund	PA Gaming Corporation Allocation Fund	Special Assessments Fund	Nonmajor Governmental Funds
7,063	112,901	4,138	1,056,225
-	-	-	2,352
-	-	-	9,538
-	-	41,525	41,525
-	-	-	8,333
2,361	-	605	36,991
<u>9,424</u>	<u>112,901</u>	<u>46,268</u>	<u>1,154,964</u>
9,416	4,815	-	48,313
-	-	41,525	41,525
-	-	-	18,265
<u>9,416</u>	<u>4,815</u>	<u>41,525</u>	<u>108,103</u>
-	-	4,743	4,743
-	-	-	69,165
-	-	-	8,333
-	-	-	218,482
8	108,086	-	746,138
<u>8</u>	<u>108,086</u>	<u>4,743</u>	<u>1,046,861</u>
<u>9,424</u>	<u>112,901</u>	<u>46,268</u>	<u>1,154,964</u>

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010
(Page1 of 4)

	Special Revenue			
	Emergency Fund	Employee Benefit Fund	South TIF Fund	North TIF Fund
Revenues:				
Property taxes and assessments	\$ 24,506	385,091	-	-
Tax increment financing	-	-	152,155	58,601
Other city taxes	622	9,781	-	-
Licenses and permits	-	-	-	-
Use of money and property	-	-	280	408
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>25,128</u>	<u>394,872</u>	<u>152,435</u>	<u>59,009</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,128</u>	<u>394,872</u>	<u>152,435</u>	<u>59,009</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(25,128)	(391,746)	(114,207)	(58,013)
Total other financing sources (uses)	<u>(25,128)</u>	<u>(391,746)</u>	<u>(114,207)</u>	<u>(58,013)</u>
Net change in fund balances	-	3,126	38,228	996
Fund balances, beginning	-	30,148	5,160	54,309
Fund balances, ending	<u>\$ -</u>	<u>33,274</u>	<u>43,388</u>	<u>55,305</u>

Special Revenue		
North TIF LMI Set Aside Fund	East TIF Fund	ECDC Trust Fund
-	-	-
-	77,383	-
-	-	-
-	-	-
86	177	373
-	-	2,935
-	-	-
-	-	-
-	-	-
-	-	31,848
86	77,560	35,156
-	-	-
-	-	-
-	-	-
-	-	12,821
-	-	14,440
-	-	-
-	-	-
-	-	-
-	-	27,261
86	77,560	7,895
27,145	-	6,802
(24,600)	(77,646)	(6,104)
2,545	(77,646)	698
2,631	(86)	8,593
1,695	846	44,742
4,326	760	53,335

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010
(Page 2 of 4)

	Special Revenue		Permanent
	ECDC	Community	Perpetual
	Revolving Loan	Beautification	Care
	Fund	Fund	Fund
Revenues:			
Property taxes	\$ -	-	-
Tax increment financing	-	-	-
Other city taxes	-	-	-
Licenses and permits	-	-	-
Use of money and property	50	87	-
Intergovernmental	-	-	-
Charges for services	-	-	1,080
Special assessments	-	-	-
Fines and forfeitures	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>50</u>	<u>87</u>	<u>1,080</u>
Expenditures:			
Current:			
Public safety	-	-	-
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	2,215	-
General government	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>-</u>	<u>2,215</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>50</u>	<u>(2,128)</u>	<u>1,080</u>
Other financing sources (uses)			
Transfers in	-	11,353	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>11,353</u>	<u>-</u>
Net change in fund balances	50	9,225	1,080
Fund balances (deficits), beginning	17,011	10,141	68,085
Fund balances (deficits), ending	<u>\$ 17,061</u>	<u>19,366</u>	<u>69,165</u>

Capital Projects

Improvement Revolving Fund	Rail Road Fund	Kearny Park Fund	First Street Fund
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	136	179	32
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
46,323	-	-	-
46,323	136	179	32
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
8,486	-	-	-
8,486	-	-	-
37,837	136	179	32
68,398	-	13,460	-
-	-	-	-
68,398	-	13,460	-
106,235	136	13,639	32
107,052	18,814	23,343	4,461
213,287	18,950	36,982	4,493

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010
(Page 3 of 4)

	Highway 18/ Urban Fund	Safe Routes to School Fund	Sewell Park Fund	CDBG Housing Rehabilitation Fund
Revenues:				
Property taxes	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Licenses and permits	-	-	-	39
Use of money and property	39	-	158	-
Intergovernmental	-	6,112	-	44,962
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	1,188	-
Total revenues	<u>39</u>	<u>6,112</u>	<u>1,346</u>	<u>45,001</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	6,063	1,842	54,410
Total expenditures	<u>-</u>	<u>6,063</u>	<u>1,842</u>	<u>54,410</u>
Excess (deficiency) of revenues over (under) expenditures	<u>39</u>	<u>49</u>	<u>(496)</u>	<u>(9,409)</u>
Other financing sources (uses)				
Transfers in	-	-	3,000	20,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>20,000</u>
Net change in fund balances	39	49	2,504	10,591
Fund balances (deficits), beginning	5,387	-	21,696	12,713
Fund balances (deficits), ending	<u>\$ 5,426</u>	<u>49</u>	<u>24,200</u>	<u>23,304</u>

Wild Rose Allocation Fund	Airport Taxiline Improvement Fund
-	-
-	-
-	-
-	-
1,163	3
-	34,025
-	-
-	-
-	-
145,715	-
<u>146,878</u>	<u>34,028</u>
-	-
-	-
-	-
-	-
-	-
-	-
-	42,148
-	<u>42,148</u>
<u>146,878</u>	<u>(8,120)</u>
5,000	15,400
(15,039)	-
<u>(10,039)</u>	<u>15,400</u>
136,839	7,280
98,416	-
<u>235,255</u>	<u>7,280</u>

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010
(Page 4 of 4)

	Capital Projects			
	CDBG Sewer Fund	Airport Layout Plan Fund	Industrial Park Fund Fund	Monroe Street Project Fund
Revenues:				
Property taxes	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city taxes	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	107	246	1,642	366
Intergovernmental	-	23,742	96,496	-
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>107</u>	<u>23,988</u>	<u>98,138</u>	<u>366</u>
Expenditures:				
Current:				
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
Capital projects	600	29,912	15,863	-
Total expenditures	<u>600</u>	<u>29,912</u>	<u>15,863</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(493)</u>	<u>(5,924)</u>	<u>82,275</u>	<u>366</u>
Other financing sources (uses)				
Transfers in	45,125	-	-	-
Transfers out	-	(2,150)	(290,000)	(62,703)
Total other financing sources (uses)	<u>45,125</u>	<u>(2,150)</u>	<u>(290,000)</u>	<u>(62,703)</u>
Net change in fund balances	44,632	(8,074)	(207,725)	(62,337)
Fund balances (deficits), beginning	81	32,179	207,725	62,337
Fund balances (deficits), ending	<u>\$ 44,713</u>	<u>24,105</u>	<u>-</u>	<u>-</u>

Airport Environ. Assess Fund	PA Gaming Corporation Allocation Fund	Debt Service	
		Special Assessments Fund	Nonmajor Governmental Funds
-	-	-	409,597
-	-	-	288,139
-	-	-	10,403
-	-	-	39
27	407	160	6,126
17,350	-	-	225,622
-	-	-	1,080
-	-	20,329	20,329
-	310,770	-	535,844
<u>17,377</u>	<u>311,177</u>	<u>20,489</u>	<u>1,497,179</u>
-	-	-	12,821
-	-	-	16,655
24,155	353,478	-	536,957
<u>24,155</u>	<u>353,478</u>	<u>-</u>	<u>566,433</u>
<u>(6,778)</u>	<u>(42,301)</u>	<u>20,489</u>	<u>930,746</u>
2,150	10,939	-	228,772
-	(38,937)	(40,000)	(1,146,273)
<u>2,150</u>	<u>(27,998)</u>	<u>(40,000)</u>	<u>(917,501)</u>
(4,628)	(70,299)	(19,511)	13,245
4,636	178,385	24,254	1,033,616
<u>8</u>	<u>108,086</u>	<u>4,743</u>	<u>1,046,861</u>

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City of Emmetsburg, Iowa
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

	Modified Accrual Basis			
	2010	2009	2008	2007
Revenues:				
Property taxes	\$ 1,300,100	1,270,629	1,167,586	1,108,502
Tax increment financing	288,139	268,524	191,200	76,339
Other City taxes	437,792	450,204	374,398	449,677
Licenses and permits	11,557	24,446	34,755	17,869
Use of money and property	53,398	59,268	81,011	95,116
Intergovernmental	826,418	731,704	950,442	933,757
Charges for services	121,498	111,235	21,504	35,706
Special assessments	20,329	18,193	38,972	32,606
Miscellaneous	1,663,469	781,936	742,193	478,416
Total revenues	<u>\$ 4,722,700</u>	<u>3,716,139</u>	<u>3,602,061</u>	<u>3,227,988</u>
Expenditures:				
Current:				
Public safety	\$ 574,632	519,473	481,599	466,264
Public works	712,573	738,259	767,749	642,917
Culture and recreation	621,101	762,908	307,561	452,262
Community and economic development	103,507	92,149	203,066	219,598
General government	353,860	381,908	320,051	288,854
Debt service	1,409,646	513,374	511,351	422,997
Capital projects	721,372	1,785,406	1,334,966	1,109,497
Total expenditures	<u>\$ 4,496,691</u>	<u>4,793,477</u>	<u>3,926,343</u>	<u>3,602,389</u>

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Burdorf, Parrott And Associates, P.C.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council City
of Emmetsburg, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa as of and for the year ended June 30, 2010, which collectively comprise the City of Emmetsburg Iowa's basic financial statements and have issued our report thereon dated January 17, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs as items I-B-10 and I-C-10 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Questioned Costs as items I-A-10 to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Emmetsburg, Iowa and other parties to whom the City of Emmetsburg may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Emmetsburg during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Burdorf, Parrott And Associates, P.C.

January 17, 2011

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Schedule of Findings and Questioned Costs

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS

I-A-10 Segregation of Duties – During our review of internal controls, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. Over the past years, the City has implemented various procedures to enhance their internal controls. However, due to time and staffing constraints, the City is still unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation function from receipt and disbursement functions.

Recommendation – We recognize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response – The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. There will be no change until it is fiscally responsible to add additional staff.

Conclusion – Response accepted.

I-B-10 Audit Adjustments

Criteria - The City should have adequate procedures to provide for the accuracy and reliability of the trial balance given to the auditor.

Condition - During the course of the audit, misstatements that had a material effect on the City's financial statement were discovered. Adjusting journal entries were made to correct these misstatements.

Context - Although adjustments during the course of an audit are not uncommon, the independent auditor cannot be considered part of the City's internal control system.

Effect - As a result of this condition, there is a higher risk that misstatements that are material to the financial statements could occur and not be detected.

Cause - The City has relied on the independent auditor to some degree to provide assurance that the financial statements are not materially misstated.

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Recommendation - We recommend that the City establish internal procedures to adjust all account balances prior to the audit.

Response - Management believes this change will result in potential financial statement misstatements being identified and corrected prior to audit.

Conclusion - Response accepted.

I-C-10

Preparation of Financial Statements

Criteria - The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

Condition - The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less material, but more inconsequential, would be identified and corrected.

Context - While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect - As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

Cause - The City has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation -

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the City's activities and operations.

Response - The City does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. We understand the list of GAAP requirements in these disclosure checklists exceeds 50 pages in length. As a result, the City of Emmetsburg has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion - Response accepted.

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Part II: Other Findings Related to Required Statutory Reporting:

- II-A-10 Certified Budget – Expenditures during the year ended June 30, 2010 did not exceed the amount budgeted.
- II-B-10 Questionable Expenditures – There were no questionable expenditures that fell outside its established policy on such costs.
- II-C-10 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-10 Business Transactions - Business transactions between the City and City officials or employees are as follows:

Council members

Steve Finer

Jensvold Motor Company	Repairs and supplies	\$ 3,332
	(3) Vehicles	\$ 50,986

Corey Gramoswski

Gramoswski Construction	Hail damage repairs	\$ 8,486
	Airport sidewalks/patio and Fire grant	\$ 2,350

In accordance with Chapter 362.5 of the Code of Iowa, the transaction with Jensvold Motor Company, may represent a conflict of interest for the repairs and supplies and purchase of one used vehicle since the total purchases exceed a cumulative total of \$1,500 for the year. The transactions with Jensvold Motor Company for two new vehicles and Gramowski Construction were entered into through competitive bidding in accordance with Chapter 362.5(4).

Recommendation: The City should use competitive bidding process when practicable.

Response: The transactions were for normal expenses. A competitive bidding process is not always practical, however, we will endeavor to competitively bid the work when practicable.

Conclusion: Response accepted.

- II-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- II-F10 Council Minutes - No transactions were found that we believe should

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have been approved in the Board minutes but were not.

IIG-10 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.